

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3939

July 21, 2005

R E S O L U T I O N

Resolution E-3939. PacifiCorp proposes to offer an enhanced irrigation energy efficiency program to its customers who are under Schedule PA-20 and those under United States Bureau of Reclamation Contract, and to reinstate its Schedule PA-150 to collect the remaining Energy Conservation Payments.

By AL 326-E filed on April 7, 2005 and Supplemental AL 326-E-A filed on June 10, 2005 that entirely replaces AL 326-E.

SUMMARY

This Resolution approves the request of Pacific Power and Light Company (PacifiCorp) to offer a three-year irrigation energy efficiency program via Schedule PA-155 to agricultural customers who are under Schedule PA-20 and those under United States Bureau of Reclamation 1956 Contract. This program includes nozzle replacement, on-site pump tests, and incentives for pump repair and replacement. The \$395,625 budget for this three-year program includes unspent public purpose funds of \$273,715 as of December 31, 2004 and current collections. Thus, the associated expenditures for this program will not affect the current funding level in the public purpose fund collected from PacificCorp's customers. PacifiCorp and Energy Trust of Oregon will jointly offer this program for California and Oregon customers located in the Klamath Basin.

This Resolution also approves the request of PacifiCorp to reinstate its Schedule PA-150 to ensure collection of all Energy Conservation payments as detailed in Energy Services contract between PacifiCorp and participating agricultural customers.

BACKGROUND

In AL 326-E, PacifiCorp proposed three new energy efficiency programs:¹ an irrigation program for its agricultural customers and two new programs for its commercial and industrial customers.

On April 7, 2005, PacifiCorp filed AL 326-E to propose three new energy efficiency programs: an irrigation energy efficiency program (Schedule PA-155) for its agricultural customers and two commercial/industrial energy efficiency programs (Schedules A-115 and A-125) to enhance the existing programs and to offer better cost-savings through energy efficiency projects. In addition, PacifiCorp proposed to revise its current energy efficiency programs for commercial customers (Schedules A-120 and 121) and industrial customers (Schedules A-140 and A-141), and to reinstate Schedule PA-150.

AL 326-E-A entirely replaces AL 326-E.² In this supplemental filing, PacifiCorp only proposes to provide an irrigation energy efficiency program for its customers in California who are under Schedule PA-20³ and those under United States Bureau of Reclamation (USBR) 1956 Contract.⁴

¹ Section 381 of the Public Utilities Code authorized investor-owned electric utilities to collect revenues to fund activities in cost-effective energy efficiency, renewable energy, and research/development/demonstration.

² At a later date, PacifiCorp plans to re-file the planned enhancements to the commercial and industrial energy efficiency programs.

³ Schedule Rate for Agricultural Pumping Service. The rate under this schedule is 6.318 cents/kWh. Currently, there are 1,264 customers under Schedule PA-20.

⁴ In 1956, PacifiCorp's predecessor, COPCO, entered into contracts that provided power to Klamath Basin irrigation customers in Oregon and California at a fixed reduced rate. These contracts have held irrigators' rates at levels that have not been increased since at least 1956, and some rates have not been increased since 1917. According to PacifiCorp, in compliance with the contracts, it is expected that these rates will be discontinued and irrigator electricity service will be provided under the standard approved irrigation tariff rates beginning April 2006. The rate under this contract is 0.600 cents/kWh. Currently, there are 612 USBR contract customers.

On June 10, 2005, PacifiCorp filed supplement Advice Letter 326-E-A to replace Advice Letter 326-E. In this supplemental filing, PacifiCorp only requests an expedited Commission response on its new irrigation energy efficiency program (Schedule PA-155) so services can be offered during the 2005 irrigation season. According to PacifiCorp, by starting the program in 2005 irrigation season, customers served under USBR Contract will be able to have their systems reviewed, to make the implementation decisions and to install recommended efficiency upgrades, during the winter and spring prior to April 2006 when USBR Contract is anticipated to expire. This resolution does not in any way address the circumstances surrounding the future of the USBR Contract.⁵

In AL 326-E-A, PacifiCorp also requests to reinstate Schedule PA-150 (a program that provided loans to agricultural customers) for the sole purpose of ensuring collection of all Energy Conservation Payments.⁶

In addition, PacifiCorp requests to reinstate Schedule PA-150—that will not be open to new customers—so that customers can not refuse to continue to make Energy Conservation payments on the basis that the tariff is no longer in effect with the Commission.

⁵ With the USBR contract, irrigators' rates have not increased since 1956 and for some since 1917. It is expected that rates under USBR contract will expire in April 2006. According to PacifiCorp, some parties have challenged the basis for moving the service to the standard irrigation tariff rates (Schedule PA-20) beginning April 2006.

⁶ In Resolution E-3274, the Commission authorized PacifiCorp through Schedule PA-150 to provide loans to a qualified agricultural customer for the installation of energy conservation measures pursuant to an Energy Service Contract. Customers paid for these measures through an investment-based Energy Service Charge mechanism at a rate in effect at the time the contract was signed. All loans were secured by contracts, as well as a notice of memorandum which was filed with each county where the customer resided; thus, the loan was attached to the property and stayed with the property upon sale where the loan amount may be paid in full or transferred to the new property owner. In Resolution E-3456 dated June 6, 1996, the Commission authorized PacifiCorp to cancel Schedule PA-150 due to declining customer participation and cost-effectiveness.

NOTICE

Notice of AL 326-E and AL 326-E-A were made by publication in the Commission's Daily Calendar. PacifiCorp states that a copy of the Advice Letters were mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

In AL 326-E-A, PacifiCorp requested for a shortened protest period and the Executive Director granted PacifiCorp's request through a letter dated June 13, 2005. Advice Letters 326-E and 326-E-A were not protested.

DISCUSSION

PacifiCorp proposes an enhanced irrigation energy efficiency program for agricultural customers under Schedule PA-20 and USBR Contract.

PacifiCorp's service territory covers all of Del Norte, Siskiyou and portions of Modoc and Shasta Counties. PacifiCorp serves majority of Modoc County.⁷

In its supplemental filing AL 326-E-A that entirely replaces AL 326-E, PacifiCorp proposes a three-year irrigation energy efficiency program that offers: a nozzle exchange program to replace worn nozzles, an on-farm/site energy analysis and pump test, and incentives for pump replacement and/or repair.

Nozzle Exchange

The proposed nozzle exchange will provide new standard brass sprinkler nozzles to replace worn ones. Worn nozzles can cause a pump to deliver more water than the system was designed and therefore use more energy. Replacing worn nozzles restores this part of the system to its design. Thus, this measure is considered an instant savings measure. The primary time to replace nozzles is during the irrigation off-season, which is typically from November through

⁷ Based on PacifiCorp's data collection, Siskiyou and Modoc counties would be the primary focus of the irrigation program.

March. For customers who have not already replaced worn nozzles prior to requesting a pump test, nozzles will be reviewed as part of the pump test.

Pump Test

The proposed pump testing element includes a full pump test and a review of the irrigation system, which includes measuring pump lift, flow, electrical demand and system pressures. The service includes directly measuring voltage, amps, power factor and flow. The customer will receive a written report documenting pump test results. The primary savings opportunities of the pump test portion include: pump repairs/replacements, identifying worn sprinklers nozzles and refer to the nozzle exchange, and identifying leaks from sprinklers, gaskets, hoses, drains and valves. Pump test can be performed when pumps are running. Testing during late summer is generally preferred because most systems are operating at that time and any changes are likely to take place after harvest. Pump test and replacements will be recommended based on energy savings and eligibility.

Incentives

Nozzles are a program-funded equipment incentive. Participants will provide their own labor for installations. Incentives for California participants for pump repairs/replacements that would result in electric energy savings will come either from the EQIP program or through PacifiCorp via Schedule PA-155. The proposed incentives under Schedule PA-155 may be available for pump repairs, pump replacements, energy efficiency upgrades as part of new construction, and major system upgrades through the program per terms of Schedule PA-155. The proposed incentives will be aligned with the Energy Trust of Oregon incentive formula.⁸

⁸ The Energy Trust of Oregon began operation as a non-profit, charitable organization in March 2002 to fulfill a mandate (SB 1149) to invest “public purpose funding” for energy efficiency, conservation and renewable energy resources in Oregon. Subsequent action by the Oregon Public Utility Commission encouraged the start-up of a new non-profit organization to administer funds created by legislation. Based on the signed agreement between the Energy Trust of Oregon and the Oregon Public Utility Commission, the Trust is authorized to develop and implement the programs necessary to achieve energy efficiency and renewable resource goals.

PacifiCorp and the Energy Trust of Oregon are working jointly to offer the irrigation energy efficiency program for California and Oregon customers located in the Klamath Basin. The proposed program will support and complement the federal government's Environmental Quality Incentive Program, which provides funding for pump repair and replacement.

The Energy Trust of Oregon (Energy Trust) proposed the preliminary design for this irrigation energy efficiency program and plans to offer the program to irrigators and irrigation districts in the Klamath Basin in Oregon, which is just over the state line from PacifiCorp's California service territory. PacifiCorp reviewed the preliminary design and adjusted some savings and cost estimates to better reflect the California market. Subsequently, based on input from key stakeholders in the Klamath Basin, PacifiCorp and Energy Trust agreed on a modified program design to better complement the significant funding from the federal government's Environmental Quality Incentives Program (EQIP). PacifiCorp projects that a higher percentage of its USBR customers would qualify in EQIP; while a higher percentage of its PA-20 schedule customers may not be eligible to participate in the federal program. So if a customer –after performance of pump test– qualifies for pump replacement or repair, PacifiCorp would assist the customer to receive incentives from the EQIP if the customer meets that program's terms of eligibility. If however, the customer is not eligible under EQIP, the customer would receive the incentive for pump repair or replacement from PacifiCorp consistent with Schedule PA-155 tariff. A customer may not receive incentives from both EQIP and Schedule PA-155.

The proposed joint effort by PacifiCorp and Energy Trust takes advantage of economies of scale and customer and trade ally benefits of a consistent program. PacifiCorp plans to deliver the proposed program through a third-party program administrator to be hired jointly with the Energy Trust. However, both PacifiCorp and Energy Trust intend to separately contract with the successful bidder. Some details of the proposed program will be finalized after a program administrator is hired. Thus, PacifiCorp indicates that some design elements and program estimates could be subject to revisions as a program administrator is selected through the Request for Proposal (RFP) process. The RFP is currently underway.

The proposed program will provide cost-effective savings.

PacifiCorp estimates the following budget and savings for the proposed three-year program:

Year	Budget	Savings (kWh)
Year 1	\$178,456	255,262
Year 2	\$164,569	555,046
Year 3	\$52,600	510,000
Total	\$395,625	1,320,308

The proposed program plans to test as many pumps as possible in years 1 and 2. First year annual net energy savings result from nozzles, while second and third year savings result from nozzles and equipment changes.

The proposed irrigation energy efficiency program has a total resource cost (TRC) benefit/cost ratio of 1.24 based on the calculations using the Commission Energy Division 2004 Excel workbook, which details expenses and savings associated with each measure. PacifiCorp attached to its supplemental filing the presentation of the cost-effectiveness of the proposed program consistent with the Commission Energy Division Excel workbook.

PacifiCorp requests to fund the proposed three-year irrigation energy efficiency program with unspent public purpose funds and current public purpose revenue collections. Total budget for the program will not affect the current level in the public purpose fund collected from the customers of PacifiCorp.

As of December 31, 2004, PacifiCorp has a balance of \$273,715 of unspent public purpose funds. According to the utility, these funds were not spent mainly due to low level of participants in its commercial and industrial programs which do not include incentives. PacifiCorp submitted workpapers that detail projected expenditures, and support that the current collections and the use of unspent funds will cover expenditures for current energy efficiency programs and as well as the proposed three-year irrigation program.

PacifiCorp's request to reinstate Schedule PA-150 will ensure that PacifiCorp collects all the Energy Conservation Payments.

In Resolution E-3275, the Commission authorized Schedule PA-150 (Agricultural Pumping Energy Services Program), wherein PacifiCorp would provide a loan to qualified seasonal irrigation and USBR Contract customers for installing approved energy efficient design and measures. The funding would be subject to the estimated annual reduction in energy consumption and the expected life of the measure. The participants would pay for the loan through an Energy Service Charge payment mechanism based on the effective rate when the contract was signed. The contract term was either 15 years or the weighted life of the measures, whichever is less.

Due to decline in customer participation and cost-effectiveness, PacifiCorp requested to cancel Schedule PA-150, and the Commission granted the request through Resolution E-3456. In AL 326-E-A, PacifiCorp explains that under the terms of the Energy Service Contract, the customers who participated to install energy efficiency measures financed through the Energy Service Charge loan will continue to repay the loan even though Schedule PA-150 is cancelled. Although there are only two outstanding loans associated with Schedule PA-150 and the contract includes loan repayment provision, PacifiCorp believes that placing again the tariff in effect would ensure that all payments associated with this schedule are completed⁹. No new customers would be permitted to take services under Schedule PA-150.

This Resolution grants the requests of PacifiCorp.

As discussed above, PacifiCorp's proposed irrigation energy efficiency program would provide agricultural customers enhanced services and measures that would lead to savings in electricity. These energy efficient services and measures are cost-effective and will be implemented at a budget that is within the public purpose collections, including use of unspent funds as of December 31, 2004. In addition, the program would complement and support the federal government's EQIP, which provides additional funding for pump repair and replacement

⁹ PacifiCorp explained to Commission staff that a similar situation occurred in the past wherein a tariff was cancelled and customers refused to continue making loan payments after the tariff was cancelled. Thus, PacifiCorp wants to prevent the same situation from re-occurring.

With regard to Schedule PA-150, placing this tariff into effect would ensure that PacifiCorp collects all the Conservation Energy Payments associated with the Agricultural Pumping Energy Services Program granted by Resolution E-3274.

This Resolution, however, does not in any way address the circumstances surrounding the future or expiration date of the USBR Contract.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today. No parties submitted comments on this draft resolution.

FINDINGS

1. PacifiCorp filed AL 326-E to propose three new programs: an irrigation energy efficiency program (Schedule PA-155) for its agricultural customers and two commercial/industrial energy efficiency programs (Schedule A-115 and A-125) to offer better cost-savings through energy efficiency projects.
2. PacifiCorp filed supplement AL 326-E-A to entirely replace AL 326-E. In this supplemental filing, PacifiCorp proposes only to offer the irrigation energy efficiency program (Schedule PA-155), which will be offered to customers in California who are under Schedule PA-20 and USBR Contract.
3. PacifiCorp's proposed program includes: nozzle exchange, pump test and incentives.
4. PacifiCorp and Energy Trust of Oregon are working jointly to offer the proposed irrigation energy efficiency program for California and Oregon customers located in the Klamath Basin.
5. The proposed program will support and complement the federal government EQIP, which provides additional funding for pump repair and replacement.

6. The proposed program will provide cost-effective savings at a cost estimated not to result in increased collections in the public purpose program fund.
7. PacifiCorp requests to use unspent funds in the amount of \$273,715 to augment current collections to fully fund the three-year proposed irrigation program.
8. PacifiCorp requests to re-file Schedule PA-150 to ensure collection of all Energy Conservation Payments.
9. This Resolution does not in any way address the circumstances surrounding the future or expiration date of the USBR Contract.

THEREFORE IT IS ORDERED THAT:

1. The requests of PacifiCorp (a) to offer a three-year irrigation energy efficiency program via Schedule PA-155 for its agricultural customers under Schedule PA-20 and under United States Contract Bureau of Reclamation 1956 with a total budget of \$395,625 which includes unspent funds in the amount of \$273,715, and (b) to reinstate its Schedule PA-150 to ensure collection of all Energy Conservation Payments, as requested in Advice Letter AL 326-E-A, is approved.
2. Within five days from the issuance of this Resolution, PacifiCorp shall supplement AL 326-E-A to clearly indicate in the tariffs that the program approved in Ordering Paragraph No. 1 is a three-year program. This supplemental filing shall be effective on the date of filing.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 21, 2005, the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners